



Office of the Auditor General

Nova Scotia

Atlantic Auditors General Joint Audit of Atlantic Lottery Corporation (ALC)

Governance

Overall Conclusion:

- Govts not adequately giving direction and oversight
- Govts have not clarified roles for decision making
- \$8M loss of Geonomics – BOD didn't assess risks well
- Govts appointment process for BOD creating challenges
- ALC not reporting on its performance adequately

4 Governments as owners:

- ALC's mandate not reviewed
- Govt/ALC agreement not updated
- BOD authority unclear
- Roles of various parties unclear
- Govt intervention in operations
- BOD appointment process not ideal
- Lack of clear performance expectations
- 8 Recs: agreed to for the most part

Examples:

- ALC got legal opinions on when Gov't approval needed
- Board approved strategy in 2009 – Govts didn't
- \$640K loss on iGaming – BOD approved; Gov't rejected
- BOD Gov't reps; but projects not supported by Govt
- NS told ALC to enter contract with Techlink in Sept. 2013 and pay 90% (\$1.3M) upfront
 - ALC had major concerns with this including:
 - Ability to deliver
 - Long term viability
 - Lack of business case
 - Upfront payment

ALC Board of Directors:

- \$8M Geonomics loss – BOD over relied on mgmt
- Management didn't give Board all info on Geonomics
- Improvements needed in performance reporting
- Some best practices in place
- 5 Recs: agreed to

Examples:

- \$8M Geonomics loss – weak oversight including:
 - BOD approved although outside mandate
 - Didn't consider risks Gov't willing to take
 - Didn't considered need for experts
 - Didn't get all information from management
 - Cash shortage concerns
 - Untested nature of game
 - Reliance on ALC to market
- Weaknesses in performance reporting include:
 - Targets not always used
 - No benchmarks or comparators
 - No measures for social responsibility
- Best practices include:
 - Independent Chair
 - Self assessments
 - Use of subcommittees and manuals



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Non Governance – 4 Key Areas

Compensation & Benefits

Overall Conclusion:

- Paid per policies
- Executives: big increases
- Govts not consulted
- No public disclosure
- Pension shortfall: \$60M
- 4 Recs: agreed to

Examples:

- Increases in available executive compensation
 - 56% ↑ for COO/CFO (\$122,000 ↑)
 - 22% ↑ for VPs (\$42,000 ↑)
- Staff cash bonuses of 2.5% to 9.5% of salary
- Staff merit increases of 2% to 6% of salary
- Overpaid pension plan
- NS pays \$4.8M/year on \$60M pension shortfall
- Pension comparison
Example: \$75k employee
 - ALC pays \$7,500; NSG pays \$6,835
 - ALC staff pay \$6,042; NSG staff pay \$6,835

Travel, Hospitality & Board Expenses

Overall Conclusion:

- Poorly managed
- Not always appropriate
- Policies not followed
- 92% samples: issues
- Lack: approvals, support
- 3 Recs: agreed to

Note:

- \$4 million during audit period on these costs
- Examples: (from samples)
 - 92% samples had issues
 - \$87,000 wrong approvals or lack of
 - \$15,000 lack of receipts
 - \$119,000 purpose not on file to support
 - \$14,000 in Cavendish Music Festival tickets - mainly to politicians, bureaucrats, ALC officials
 - \$14,000 Christmas party
 - \$3,500 on alcohol
- Other - audit period:
 - \$111,000 on various Christmas events
 - \$170,000 on recognition awards up to \$2,000

Contract Management

Overall Conclusion:

- Monitored well
- Effectiveness assessed
- Solid terms/conditions
- Need written procedures
- Lapses in controls
- 4 Recs: agreed to

Examples:

- Performance measures missing
- Poor detail on invoices
- Payment not approved
- Monitoring process needs written policies

Procurement of Services

Overall Conclusion:

- Services procured well
- Public tenders used
- Tenders evaluated
- Policies documented
- Lapses in controls
- 1 Rec: agreed to

Examples:

- 1 case - tendering required but not done
- Conflict of interest forms not completed